

(H. B. 1276)

(No. 30-2013)

(Approved June 25, 2013)

AN ACT

To amend the fourth paragraph of Section 23.01 of Act No. 22-2000, as amended, known as the “Puerto Rico Vehicles and Traffic Act,” in order to modify the amount of money covered into the Special Deposit in the name and for the benefit of the Puerto Rico Highways and Transportation Authority; and for other purposes.

STATEMENT OF MOTIVES

Currently, the Puerto Rico Highways and Transportation Authority (hereinafter, the “Authority”) is undergoing a precarious situation caused by a decrease in its revenues, aggravated by additional burdens that have increased its operating costs. As of June 30, 2012, the Authority carried an operational deficit of over \$187 million along with a capital improvement plan deficit of \$168 million. In summary, the Authority operates with a deficiency of approximately \$355 million annually, which has been offset in the past with loans granted by the Government Development Bank for Puerto Rico (GDB) to continue operating and meeting its obligations to its creditors. This practice began in 2008, when the Authority resorted to financing to fund its operations. By October 2009, the Authority did not have enough available credit to refinance the Subordinated Bond Anticipation Notes Series 2008-A that it had with a private bank. Thus, the GDB found itself compelled to acquire such notes. During the 2009-2012 Administration, the fiscal situation of the Authority aggravated even more because of the established pattern of defraying its operational deficit through lines of credit with the GDB, which, during such period, amounted to \$2.113 billion and no

repayment sources were identified to meet said obligations. The foregoing and the privatization of PR Road 22 and PR Road 5 deprived the Authority from a significant portion of the income earned on account of tolls.

Currently, the Authority lacks self-sufficiency. Given the structural deficit of the General Fund and the inability of the GDB to continue financing the operations of the Authority, it is imperative to identify other sources of income that allow the Authority to continue operating and repay such financing to the GDB. As of today, the outstanding loans of the Authority account for nearly 24% of the entire loan portfolio of the GDB.

In addition, the Authority's capacity to issue additional debt is not enough to offset its debt with the GDB, which, as of March 31, 2013, amounted to \$2.163 billion. It does not have the capacity to cover the needs of its future capital improvement plan. This shows that the Authority needs more gross revenues to cover most of its debt and achieve a greater borrowing capacity.

The Authority's delicate fiscal situation has impaired it from tapping the bonds market to refinance its debt. The limited cash flow to cover its operations contributes to its inability to issue bonds, because it does not have the funds needed to make additional debt service payments.

This situation limits the repayment of outstanding financing with the GDB and will go on until the Authority starts generating additional revenues to maintain and finance the development of the highways infrastructure of Puerto Rico.

This Legislative Assembly has considered other alternatives to raise the funds needed to address the Authority's current economic situation. Among the alternatives considered are to increase toll rates and the tax on gasoline. However, the increase required to raise the funds needed to address the Authority's financial situation would have entailed increasing toll rates by 300%, increasing the vehicle registration sticker fee from \$40 to \$210, or increasing the tax on gasoline by more

than nine cents (\$0.09) per liter of gasoline, this would have brought about an increase of approximately \$160 a year to fill the gasoline tank of a vehicle. Recognizing that these increases would be burdensome for the people, especially for the Island's working class, this Legislative Assembly has undertaken the task of finding other sources of income that are less burdensome for the people's wallet. Among the options considered is to increase the amount deposited from the fees to be paid to the Special Deposit in favor of the Authority.

Act No. 22-2000, as amended, known as the "Puerto Rico Vehicles and Traffic Act," established certain procedures for the payment of annual fees. Currently, fifteen dollars (\$15) of the total amount received for each motor vehicle or trailer license or private or public service vehicle registration renewal are covered into a Special Deposit in the name and for the benefit of the Authority. Given the precarious financial situation that the Authority is undergoing, this Legislative Assembly deems it necessary to increase the amount of money that is covered into the Special Deposit.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF PUERTO RICO:

Section 1.- The fourth paragraph of Section 23.01 of Act No. 22-2000, as amended, known as the "Puerto Rico Vehicles and Traffic Act," is hereby amended to read as follows:

"Section 23.01.- Procedure for the Payment of Fees.-

Every owner of a motor vehicle subject to the payment of annual license fees shall pay at any internal revenue office of any municipality, at the place designated by the Secretary of the Treasury, at official inspection stations, banks, or at the place designated by the Secretary, the fees corresponding to the vehicle for each year, as indicated in the notice to be sent by the Secretary to that effect. The fees on such account shall be paid in advance for the whole year or for the remaining portion thereof, and fractions of a month shall be deemed as full months.

This provision shall only apply to motor vehicles paying license fees for more than forty dollars (\$40) per year. Upon receipt of the corresponding fees, the collector shall issue the motor vehicle license consisting of the notice form issued by the Secretary with the corresponding annotations and the signature of the collector indicating that the fees have been duly paid. Together with the license, the collector shall include the corresponding sticker or license plates, as the case may be. Only one (1) sticker shall be affixed to the motor vehicle during the year of effectiveness of the fees paid.

Owners of inspection stations shall deposit into a special account, so that the Department of the Treasury may make daily transfers of the car inspection stickers thus issued. The Department of the Treasury shall approve regulations for such purposes, on which a bond and insurance shall be required to secure the receipt of the moneys collected from stickers sold. The service charge collected by the inspection station, the bank, or any other place designated by the Secretary of the Treasury, shall not be greater than five dollars (\$5).

Vouchers, internal revenue stamps, or any other payment method established by the Secretary of the Treasury shall be used in the case of examination fees, including those for learner's permits, the issue of license duplicates, the renewal of driver's licenses, vehicle transfers, and any other collection of fees.

Except as otherwise provided in this Act the amount of the fees collected in accordance with Sections 23.01 and 23.02 of this Act shall be covered in its entirety into a Special Deposit in the name and for the benefit of the Highways and Transportation Authority.

The Authority is hereby authorized to pledge or encumber the proceeds of the taxes collected for the payment of the principal of and interest on any bonds or other obligation or for any other lawful purpose of the Authority. Such pledge or encumbrance shall be subject to the provisions of Section 8 of Article VI of the

Constitution of Puerto Rico. The proceeds of the taxes collected shall be used solely for the payment of the interest on and amortization of the public debt, as provided in Section 8 of Article VI of the Constitution of Puerto Rico, insofar as the other available resources referred to in said Section does not suffice to attain such purposes. Otherwise, the proceeds of said tax, in the necessary amount, shall be used solely for the payment of principal of and interest on the bonds and other obligations of the Authority and to meet any stipulation agreed upon by the Authority to the holders of its bonds and other obligations.

The Commonwealth of Puerto Rico hereby agrees and makes a commitment to any person or agency of the United States of America, of any state or of the Government of Puerto Rico that sell or acquire bonds of the Authority for the payment of which the proceeds of the fees paid for motor vehicle and trailer licenses and others is pledged, as authorized by this Section, not to reduce the license fees or the amount collected from the same that the Authority must receive.

In the case the amount collected from the motor vehicle registration fees is used to cover the requirements of the public debt and applied to cover the deficiencies in the amounts needed to satisfy said payments, the amounts used to cover said deficiency shall be reimbursed to the Authority from the first proceeds received in the next or subsequent fiscal years by the Government of Puerto Rico proceeding from the registration of motor vehicles.

The proceeds of the collected fees to be used as provided in this Section to reimburse the reserve funds to cover the requirements of the public debt shall not be covered into the General Fund of the Government of Puerto Rico when collected, but shall be covered into the aforementioned Special Deposit for the benefit of the Authority and shall be subject to the provisions of Section 8 of Article VI of the Constitution of Puerto Rico.

The Secretary of the Department of the Treasury may delegate to the Secretary the duty of collecting such fees.”

Section 2.- Effectiveness.-

This Act shall take effect immediately after its approval.

CERTIFICATION

I hereby certify to the Secretary of State that the following **Act No. 30-2013 (H. B. 1276)** of the **1st Session of the 17th Legislature** of Puerto Rico:

AN ACT to amend the fourth paragraph of Section 23.01 of Act No. 22-2000, as amended, known as the "Puerto Rico Vehicles and Traffic Act," in order to modify the amount of money covered into the Special Deposit in the name and for the benefit of the Puerto Rico Highways and Transportation Authority; and for other purposes.

has been translated from Spanish to English and that the English version is correct.

In San Juan, Puerto Rico, on this 15th day of May, 2014.

Juan Luis Martínez Martínez
Acting Director